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UNCLAS JERUSALEM 002025

SENSITIVE
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STATE FOR EEB AND NEA/IPA, PASS USAID FOR BORODIN

E.O. 12958: N/A
TAGS: ECON EINV ETRD EAID KPAO KWBG IS
SUBJECT: "EXPOTECH" WEEK PROMOTES PALESTINIAN INFORMATION
TECHNOLOGY SECTOR, SEEKS FOREIGN INVESTMENT

¶1. (SBU) Summary: The annual "ExpoTech Technology Week" in
Ramallah brought together representatives from international
and local information and communication technology firms.
The week-long exhibition, funded in part by a $139,000 grant
from USAID, promoted international investment in the
Palestinian IT sector. PA officials pledged rationalized
market regulation, plus liberalization at the expense of the
current telecom duopoly. Private sector contacts called for
greater incentives for investors, and assistance with
continued GOI restrictions on importing IT-related goods to
the West Bank. While local companies report increased
hardware sales, they said that continued growth depends on
the easing of import restrictions. End summary.

USG Joins with Palestinian Firms to Promote IT Sector
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¶2. (U) The Palestinian Information Technology Association
(PITA) and Palestinian Information and Technology Incubator
(PICTI) hosted the sixth annual "ExpoTech Technology Week" in
Ramallah from November 1-5. This year's program was expanded
to include a day-long conference with a video conference link
for Gazan participants; well-attended training sessions in
major West Bank cities hosted by Microsoft, Cisco, and
Google; networking opportunities; and a trade show that
attracted an estimated 33,000 attendees. USAID contributed
$139,000 to ExpoTech, and received prominent media coverage.
 A ConGen Econ Officer served as moderator for a panel
discussion on building a knowledge-based economy.

¶3. (SBU) Prime Minister Salam Fayyad kicked off the week-long
event with a speech emphasizing the growth potential of the
IT sector, noting that 49 percent of Palestinian families own
computers, Internet penetration is nearly 30 percent -- much
higher than the 10 percent average in the Middle East -- and
IT currently ranks as the third-largest sector in the
Palestinian economy. Note: While accurate, the relative size
of the sector is misleading, given that it includes PalTel
and its subsidiaries. Contacts estimate that, without
PalTel, IT companies contribute 2-3 percent of GDP. End
Note. Minister of Telecom Abudaka stressed the importance of
market liberalization, adding that prices must come down by
January 1 or sole operators "PalTel and Wataniya would get
the shock of their lives." He also pledged that a fully
independent regulator would be set up before the end of the
year, a project that is already underway with USAID
assistance.

Import Restrictions Continue to Plague the Sector
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¶4. (SBU) The Consul General toured convention exhibits on
November 4, meeting local IT executives, including

distributors of U.S. products. Private sector
representatives told the Consul General that consumer
spending has sharply increased sales (one contact reported he
expects to double his sales in 2009 to $10 million) but
generally noted a continued -- if not increased -- difficulty
in importing IT products to the West Bank. The permit
procedure continued to lack transparency, relying on personal
and constant intervention with the GOI, a hardware
distributor said. He added that "this was possible when I
had a few shipments coming in a month, but with my increase
in sales, I no longer have the time to go and have coffee at
Beit El every day." Note: Beit El, an Israeli settlement in
the West Bank near Ramallah, is the location of the Israeli
Civil Administration Offices. End Note.
RUBINSTEIN